

# AUDIT REPORT

RURAL WATER DISTRICT #13  
MCINTOSH COUNTY, OKLAHOMA

OCTOBER 31, 2021



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RURAL WATER DISTRICT #13  
MCINTOSH COUNTY, OKLAHOMA  
OCTOBER 31, 2021

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Rural Water District #13  
McIntosh County, Oklahoma

### *Report on the Financial Statements*

I have audited the accompanying modified cash basis financial statements of the Rural Water District #13, McIntosh County, Oklahoma, as of and for the fiscal year ended October 31, 2021, as listed in the table of contents and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of

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accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

## *Basis for Adverse Opinion*

For the fiscal year ending October 31, 2021, adjustments, which could not be verified as to having been approved by the board or management, were made to reduce accounts receivable in the billing software by a total of \$17,258.57. These reductions could be the result of cash receipts that are posted in the billing software but never deposited into the bank. However, because of the lack of documentation and approval of these activities, these items are considered unexplained. In addition, deposits totaling \$44,064.23 for the current period are shown as outstanding at the end of the period but were never deposited to the account.

## *Adverse Opinion*

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the financial statements referred to above do not present fairly, the modified cash basis financial position of the Rural Water District #13, McIntosh County, Oklahoma, as of October 31, 2021, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with the basis of accounting described in Note 1.

## *Basis of Accounting*

I draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

## *Other Matters*

## *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 21, 2022, on my consideration of the Rural Water District #13's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant

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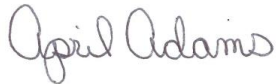
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agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rural Water District #13's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Rural Water District #13's internal control over financial reporting and compliance.



April Adams CPA PLLC  
Ponca City, Oklahoma

July 21, 2022

RURAL WATER DISTRICT #13  
MCINTOSH COUNTY, OKLAHOMA  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
OCTOBER 31, 2021

**ASSETS**

**Current Assets:**

Cash and cash equivalents - Unrestricted	\$ 495,779
Cash and cash equivalents - Restricted (Debt Service)	87,683
	<hr/>
Total Current Assets	583,462
	<hr/>

**Capital Assets:**

Other Capital Assets	3,104,893
Less: Accumulated Depreciation	(2,150,500)
	<hr/>
Total Capital Assets	954,393
	<hr/>

**Other Assets:**

ORWA Reserve Certificate	1,000
	<hr/>
Total Other Assets	1,000
	<hr/>

<b>TOTAL ASSETS</b>	<b>\$ 1,538,855</b>
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**LIABILITIES & NET POSITION**

**Current Liabilities:**

Current Portion of Long-Term Debt	\$ 65,000
Total Current Liabilities	65,000
	<hr/>

**Long-term Liabilities:**

Note Payable	200,000
Less: Current Portion of Long-Term Debt	(65,000)
	<hr/>
Total Long-term Liabilities	135,000
	<hr/>

<b>TOTAL LIABILITIES</b>	<b>200,000</b>
	<hr/>

**Net Position:**

Net investment in capital assets	754,393
Restricted for debt service	87,683
Restricted for other purposes	1,000
Unrestricted	495,779
	<hr/>
<b>TOTAL NET POSITION</b>	<b>1,338,855</b>
	<hr/>

<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ 1,538,855</b>
	<hr/> <hr/>

The accompanying notes are an integral part of the basic financial statements.

**RURAL WATER DISTRICT #13  
MCINTOSH COUNTY, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2021**

<b><u>Operating Revenue:</u></b>	
Water charges	\$ 460,443
Memberships	13,000
Other Income	12,626
	<hr/>
Total Operating Revenue	486,069
<b><u>Operating Expenses:</u></b>	
Water Purchases	17,389
Payroll and related expenses	156,564
Insurance	11,278
Repairs and maintenance	69,585
Office expense	11,984
Professional Fees	3,985
Telephone and utilities	28,785
Vehicles expense	11,809
Advertising	447
Miscellaneous	3,436
Depreciation	79,663
	<hr/>
Total Operating Expenses	394,924
	<hr/>
Operating Income (Loss)	91,145
<b><u>Other Revenues and (Expenses):</u></b>	
Interest Income	410
Interest Expense	(10,317)
	<hr/>
Total Other Revenues and (Expenses)	(9,907)
	<hr/>
Net Income (Loss) Before Contributions	81,238
Capital Contributions	-
	<hr/>
Change in Net Position	81,238
Total Net Position, Beginning of Year	1,257,617
	<hr/>
Total Net Position, End of Year	\$ 1,338,855
	<hr/> <hr/>

The accompanying notes are an integral part of the basic financial statements.

RURAL WATER DISTRICT #13  
MCINTOSH COUNTY, OKLAHOMA  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2021

<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Receipts from Customers	\$ 486,069
Payments to Suppliers and Laborers for Goods & Services	<u>(315,262)</u>
Net Cash Provided (Used) by Operating Activities	<u>170,808</u>
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>	
Additions to Capital Assets	(42,100)
Capital Contributions	-
Loan Proceeds	-
Principal paid on Debt	(60,000)
Interest paid on Debt	<u>(10,317)</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(112,417)</u>
<b><u>Cash Flows from Investing Activities:</u></b>	
Interest Income	<u>410</u>
Net Cash Provided (Used) by Investing Activities	<u>410</u>
Net Increase (Decrease) in Cash and Cash Equivalents	58,801
Cash & Cash Equivalents, Beginning of Year	524,661
Cash & Cash Equivalents, Prior Year Adjustment	-
Cash & Cash Equivalents, End of Year	<u><u>\$ 583,462</u></u>
<b><u>Reconciliation of operating income (loss) to net cash provided</u></b>	
<b><u>operating activities:</u></b>	
Operating Income (Loss)	\$ 91,145
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	<u>79,663</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 170,808</u></u>

The accompanying notes are an integral part of the basic financial statements.



RURAL WATER DISTRICT #13  
MCINTOSH COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES & OPERATIONS

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. Organization & Reporting Entity

Rural Water District No. 13 (the "District") was created September 23, 2002 by the Board of County Commissioners of McIntosh County, Oklahoma under the provisions of the Rural Water District Act (Title 82 Oklahoma Statutes, Sections 1324.1 et. seq). The District was previously known as Salem Rural Water Corporation. The District is managed by a five member Board of Directors. Members of the board are elected by the membership of the District at its annual meeting. Membership in the District is attained by paying membership dues and receiving services from the District. The activities of the District constitute the entire reporting entity. There are no component or oversight units. The District is a political subdivision of the State of Oklahoma.

B. Basis of Presentation

The accounts of the District are organized on the basis of proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and

RURAL WATER DISTRICT #13  
MCINTOSH COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2021

charges designed to recover its costs, including capital costs (such as depreciation or debt service).

C. Measurement Focus and Basis of Accounting

Measurement Focus

The District utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

RURAL WATER DISTRICT #13  
MCINTOSH COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2021

If the District utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for proprietary fund types would use the accrual basis of accounting.

D. Financial Position

Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Capital Assets (Property, Plant & Equipment)

Property and equipment are recorded at cost as of the date of acquisition. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	5-60 years
Improvements, other than buildings	2-50 years
Mobile equipment	3-40 years
Furniture, machinery and equipment	3-30 years
Utility system	5-60 years

Purchases of capital items in excess of \$2,500.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

Compensated Absences

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the District. The District does not record a liability for accrued compensated absences. Using the modified cash basis the amount paid for compensated absences is expensed as paid.

Pension

The District allows employees the option to participate in a SIMPLE IRA retirement plan. None of the District employees are participating at the present time.

RURAL WATER DISTRICT #13  
MCINTOSH COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2021

Income Taxes

The District is conducting its affairs as a local government and has no provisions for income tax.

Long-Term Debt

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of various debt issues.

Net Position Classifications

Net Position is classified and displayed in three components:

1. *Net investment in capital assets.* Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. *Restricted.* Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. *Unrestricted.* Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

RURAL WATER DISTRICT #13  
MCINTOSH COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2021

Revenues, expenditures & expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

Custodial Credit Risk

At October 31, 2021, the District held deposits of approximately \$583,462 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of

RURAL WATER DISTRICT #13  
MCINTOSH COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2021

- deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
  - d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
  - e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
  - f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

NOTE 3 - RESERVE CERTIFICATES

The District has purchased reserve certificates totaling \$1,000 from the Oklahoma Rural Water Association Assurance Group (the Group). These certificates are on deposit in the self-insurance reserves of the Group under the Agreement Establishing the Oklahoma Rural Water Association Assurance Group entered into pursuant to the Oklahoma Interlocal Cooperation Act. The District has insurance coverage other than the self-insurance of the group. Reserve certificates may be surrendered and the deposit refunded subject to certain time and notice requirements. The certificates accrue interest at a fluctuating rate on the basis of a 360-day year at the Treasury rate plus two percent per annum. The balance in the self-insurance reserve certificates is considered reserved net assets.

NOTE 4 - RESTRICTED CASH AND CASH EQUIVALENTS

The District reports restricted cash and cash equivalents for use as a debt reserve. These monies are held as a reserve for the Oklahoma Water Resources Board loan.

NOTE 5 - CAPITAL ASSETS

Capital asset activity, for the fiscal year ended October 31, 2021, was as follows:

RURAL WATER DISTRICT #13  
MCINTOSH COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2021

	Balance at Oct. 31, 2020	Additions	Deductions	Balance at Oct. 31, 2021
Building	\$ 58,080	\$ -	\$ -	\$ 58,080
Water System	2,853,304	-	-	2,853,304
Equipment	151,409	42,100	-	193,509
Subtotal	3,062,793	42,100	-	3,104,893
Accumulated Depreciation:				
Building	44,885	1,181	-	46,065
Water System	1,880,692	70,487	-	1,951,179
Equipment	145,260	7,995	-	153,255
Total Accum. Depreciation	2,070,837	79,663	-	2,150,500
Total Capital Assets (Net of Depreciation)	\$ 991,956	\$ (37,563)	\$ -	\$ 954,393

NOTE 6 - LONG TERM DEBT

On November 24, 2009, the District borrowed \$835,000 from Oklahoma Water Resources Board (OWRB) for loan FAP-09-0002-L to refinance existing debt and complete a system upgrade. The loan was refinanced from a variable FAP loan to a fixed rate of 1.145%.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt For the Eight Month Period Ending October 31, 2021:

	Balance at October 31, 2020	Additions	Deductions	Balance at October 31, 2021
Note Payable - OWRB	\$ 260,000	\$ -	\$ 60,000	\$ 200,000
Total Long-Term Debt	\$ 260,000	\$ -	\$ 60,000	\$ 200,000

Debt Services Requirements to Maturity

Year Ended October 31,	Principal	Interest	Annual Payment
2022	\$ 65,000	\$ 8,055	\$ 73,055
2023	65,000	5,361	70,361
2024	70,000	2,797	72,797
2025	-	-	-
2026	-	-	-
Total	\$ 200,000	\$ 16,212	\$ 216,212

NOTE 7 - RATE COVENANT

Under the terms of the Oklahoma Water Resources Board loan, the District is required to maintain a schedule of rates or charges for services sufficient to provide funds which together with other revenues pledged under the Local Act, will provide net revenues

RURAL WATER DISTRICT #13  
MCINTOSH COUNTY, OKLAHOMA  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2021

available for debt service equal to at least 125% of the maximum annual debt service requirement. The ratio for the current period is calculated as follows:

Revenues	\$ 486,069
Expenses	315,261
Revenues available for debt service	<u>\$ 170,808</u>
Debt service requirement	<u>\$ 70,317</u>
Ratio	2.43

NOTE 8 - CONTINGENCIES

Litigation

According to management there were no known contingent liabilities at October 31, 2021, which would have a material effect on the financial statements.

Grant Program Involvement

In the normal course of operations, the District participates in various Federal or State grant or loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - SUBSEQUENT EVENTS

The District did not have any subsequent events through July 21, 2022, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the fiscal year ending October 31, 2021.



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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Rural Water District #13  
McIntosh County, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis financial statements of Rural Water District #13, McIntosh County, Oklahoma, as of and for the fiscal year ended October 31, 2021, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles and have issued my report thereon dated July 21, 2022, which was an adverse opinion because of the unexplained differences in customer billings & deposits.

### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Rural Water District #13's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rural Water District #13's internal control. Accordingly, I do not express an opinion on the effectiveness of Rural Water District #13's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected

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and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control described in the accompanying Schedule of Findings as Items 21-01, 21-02 and 21-03 that I consider to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rural Water District #13's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Rural Water District #13's Response to Findings

Rural Water District #13's response to the findings identified in my audit is described in the accompanying Schedule of Findings. Rural Water District #13's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report

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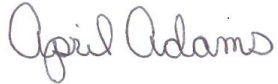
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is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



April Adams CPA PLLC  
Ponca City, Oklahoma

July 21, 2022

RURAL WATER DISTRICT #13  
MCINTOSH COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS  
OCTOBER 31, 2021

INTERNAL CONTROL FINDINGS:

Item 21-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction.

Condition: Due to the size of the District's major areas of internal control, that would be prevalent in a larger District, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the District.

Response: The Board continues to be actively involved in the operations of the District.

Item 21-02: Bank Reconciliations

Criteria: Internal control refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories: Safeguarding assets, Ensuring validity of financial records and reports, Promoting adherence to policies, procedures, regulations and laws, and Promoting effectiveness and efficiency of operations. Internal control also refers to how an entity processes, summarizes and records the financial transactions. In general terms, internal controls are simply good business practices.

Condition: The software program allows the bank reconciliation to appear to be balanced when it does not match the general ledger.

RURAL WATER DISTRICT #13  
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SCHEDULE OF FINDINGS  
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Cause/Effect: The financial statements contain misstatements and omit financial information.

Recommendation: Monthly bank reconciliations need to be performed on each bank account and the balance agree with that reflected in the financial statements.

Response: The District is aware of the problem.

Item 21-03: Safeguarding assets

Criteria: Internal control refers to the methods and procedures used to provide reasonable assurance regarding the achievement of objectives in the following categories: Safeguarding assets, Ensuring validity of financial records and reports, Promoting adherence to policies, procedures, regulations and laws, and Promoting effectiveness and efficiency of operations. Internal control also refers to how an entity processes, summarizes and records the financial transactions. In general terms, internal controls are simply good business practices.

Condition: The District did not have strong internal controls in place for safeguarding its assets (i.e. cash).

Cause/Effect: Due to the weak internal control system, a breach of internal controls could occur. Cash payments could be received but never deposited.

Recommendation: The person responsible for receiving cash should be a different individual than the person responsible for making deposits.

Response: The Board continues to be actively involved in the operations of the District. However, it is not economically feasible to have more than one person reviewing transactions.

COMPLIANCE FINDINGS:

None